

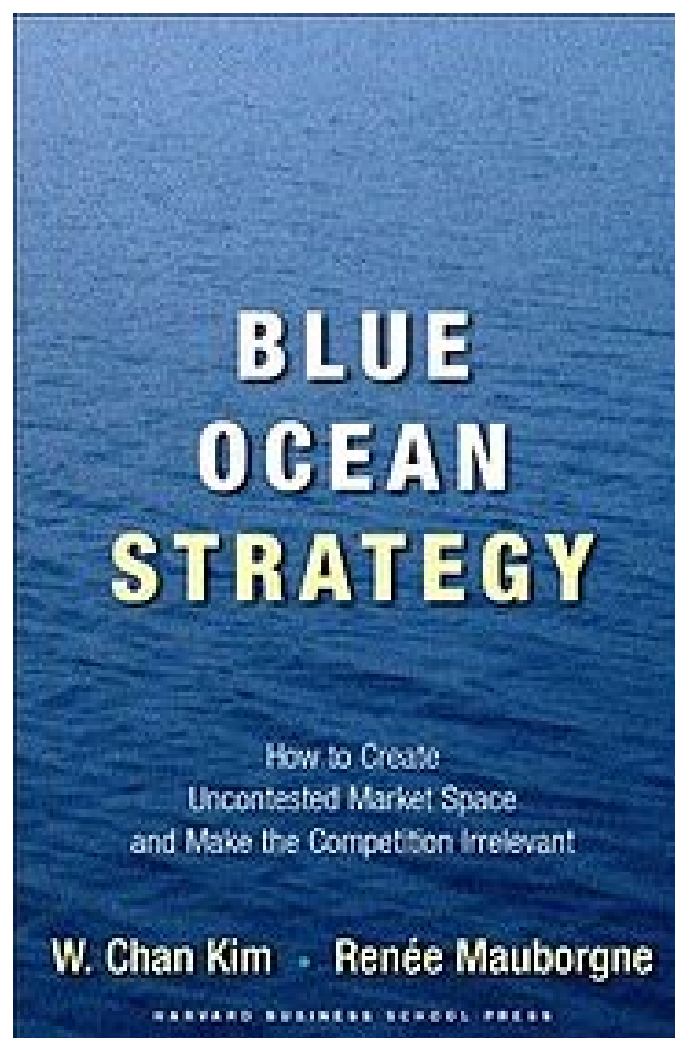


OUM TEA TALK 2009

**BLUE OCEAN STRATEGY:
WAY FORWARD FOR OUM**

Blue Ocean Strategy Team

19 June 2009



1. OBJECTIVE OF PRESENTATION

- To share the Blue Ocean Strategy (BOS) approach, analytical framework and tools that will be used in OUM's strategic planning and budgeting exercise
- To obtain feedback and inputs from academic staff and senior management to help improve BOS adoption process

2. BACKGROUND

- On 1 April 2009, GMC approved the setting up a BOS Team at OUM
- The mission of the team is to incorporate BOS analytical framework and tools in OUM's strategic planning and budgeting exercise
- The team met several times and is in the process of preparing a report to be presented to GMC

3. BLUE OCEAN STRATEGY TEAM AT OUM

- Prof. Ramli Bahroom (CPU)
- Assoc. Prof. Zulkifli Yaacob (CML)
- Dr. Oh Teik Hai (FBM)
- Ms. Christine Ling Bee Fong (FITMC)
- Ms. Rosila Abu Zarin (CPU)

4. STRATEGIC PLANNING

- An organization's process of defining its strategy, or direction and making decisions on allocating its resources to pursue this strategy.
- Deals with the following key questions:
 - "What do we do?"
 - "How do we excel?"

5. TRADITIONAL PRACTICE

- Existing companies compete in well-defined market-places
- Emphasis is on taking market share from competitors
- Carried detailed market research of existing customers/ markets
- Because of stiff competition, downward pressure on margins
- Many studies have been done to look at best competitive practices
- Many worthwhile tools have been developed e.g. Porter, BCG, Ansoff, PIMS
- Generic strategies: Differentiation or Low Cost

6. STEPS IN STRATEGIC PLANNING

1. **Vision and Mission** - Define the vision and set a mission statement with hierarchy of goals and objectives
2. **SWOT** - Analyse internal and external environment according to the desired goals
3. **Formulate** - Formulate strategies, actions and processes to attain these goals
4. **Implement** - Implement the agreed upon actions and processes
5. **Control** - Monitor and get feedback from implemented processes to fully control the operation

7. WHERE DO BLUE OCEAN STRATEGY FIT IN STRATEGIC PLANNING?

- Formulation stage - Formulate strategic thrusts, actions and processes to attain organisational goals

8. BACKGROUND OF BOS

- Kim and Mauborgne conducted research on 150 positions made from 1880-2000 in more than 30 industries.
- Analyzed the winning business players as well as the less successful competitors.
- Studied industries such as hotels, cinemas, retail stores, airlines, energy, computers, construction, automotive, broadcasting and steel.
- Found a consistent and common pattern across all the success stories and first called it “Value Innovation,” and then later “Blue Ocean Strategy.”
- The ideas, tools and frameworks were tested and refined over the years in corporate practice in Europe, US and Asia and presented in journal articles, before being published in the form of a book in 2005.

8. BACKGROUND OF BOS (Contd.)

- 1997: "Value Innovation-The Strategic Logic of High Growth". Harvard Business Review 75, January-February, 103-112.
- 1998: "Procedural Justice, Strategic Decision Making and the Knowledge Economy." Strategic Management Journal, April.
- 1999: "Creating New Market Space." Harvard Business Review 77, January-February, 83-93.
- 1999: "Strategy, Value Innovation, and the Knowledge Economy." Sloan Management Review 40, no.3, Spring.
- 2000: "Knowing a Winning Business Idea When You See One." Harvard Business Review 78, September-October, 129-141.
- 2002: "Charting Your Company's Future." Harvard Business Review 80, June, 76-85.
- 2003: "Tipping Point Leadership." Harvard Business Review 81, April, 60-69.
- 2004: "Blue Ocean Strategy." Harvard Business Review, October, 76-85.
- 2005: "Blue Ocean Strategy" Book, Harvard Business School Press, Boston, Massachusetts

9. WHAT IS BLUE OCEAN STRATEGY?

- Blue Ocean Strategy (BOS) is a business strategy on how to create *new and uncontested market space* or "Blue Ocean" and rather than competing in an existing industry.
- As a consequence, BOS makes the competition irrelevant

10. THE INITIAL LITMUS TEST FOR BLUE OCEAN STRATEGY

1. **Focus:** Emphasise only on *certain areas* to optimise allocation of resources and minimise costs
2. **Divergence:** Dare to be *different*
3. **Compelling Tagline:** A good test of effectiveness and strength of a strategy is evident in its *strong and authentic* tagline

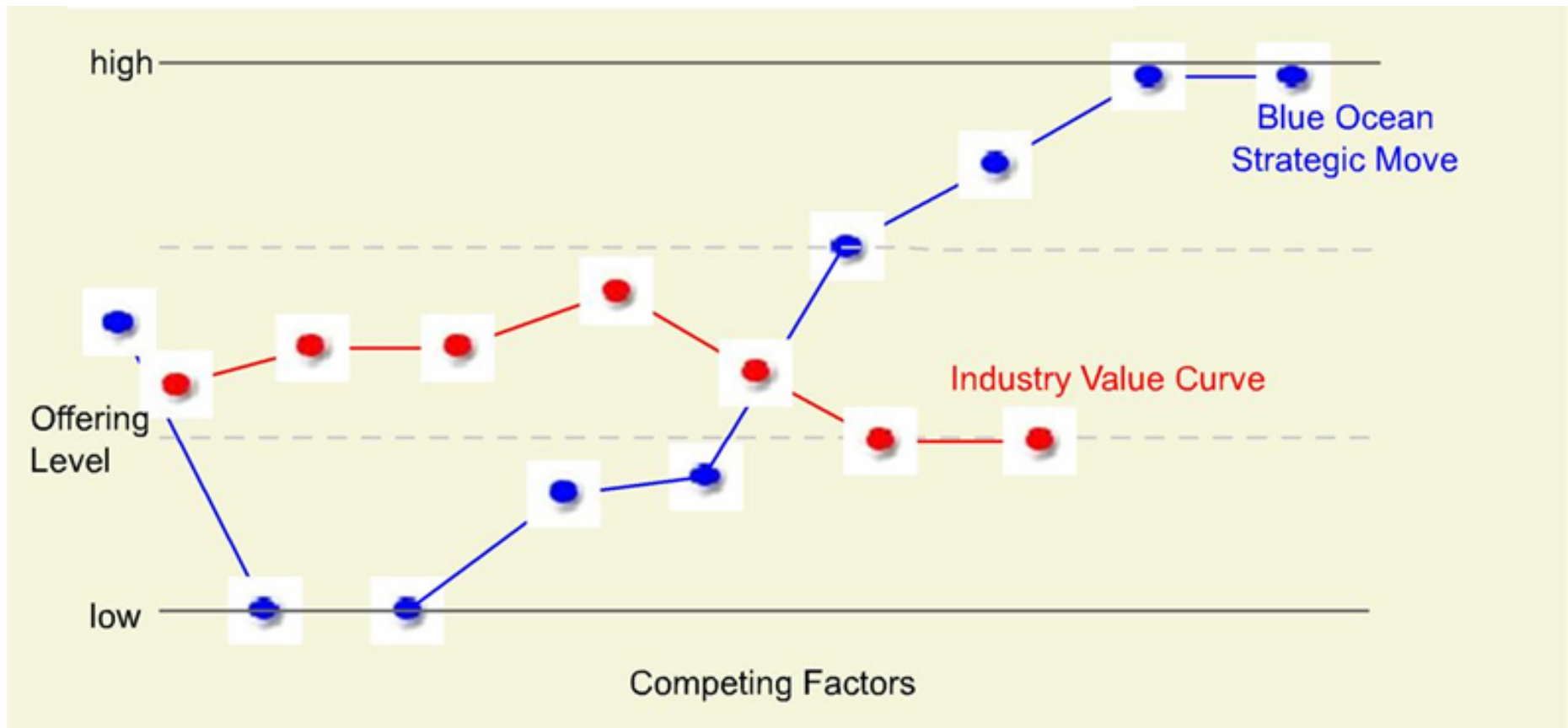
11. RED OCEAN VS BLUE OCEAN STRATEGY

Red Ocean Strategy	Blue Ocean Strategy
Compete in existing market space	Create uncontested market space
Beat the competition	Make the competition irrelevant
Exploit existing demand	Create and capture new demand
Make the value-cost trade-off	Break the value-cost trade-off
Align the whole system of a firm's activities with its strategic choice of differentiation or low cost	Align the whole system of a firm's activities in pursuit of differentiation and low cost

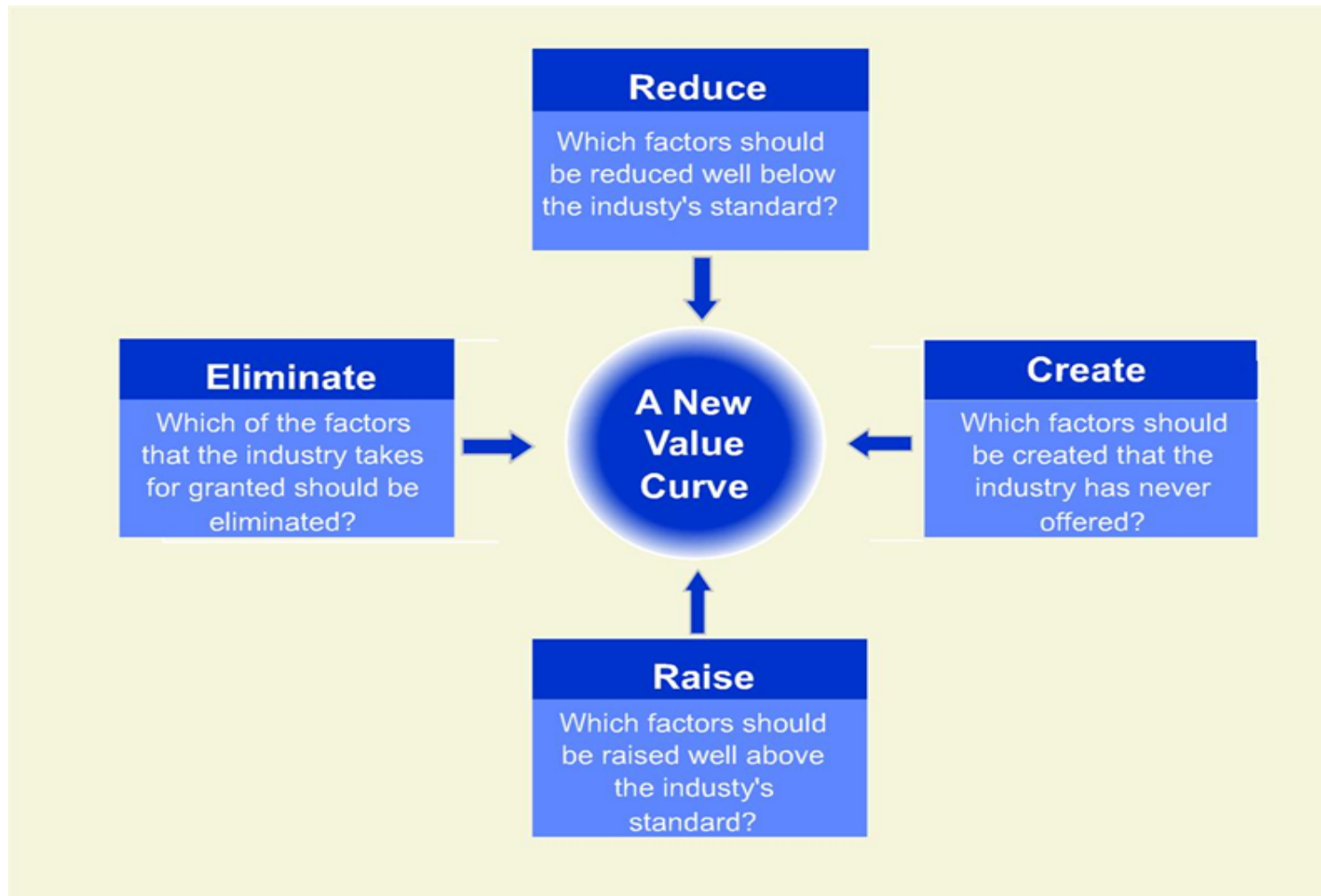
12. BASIC TOOLS OF BLUE OCEAN STRATEGY

- The Strategy Canvas
- The Four Actions framework
- Eliminate-Reduce-Raise-Create Grid
- The Six Paths framework

THE STRATEGY CANVAS



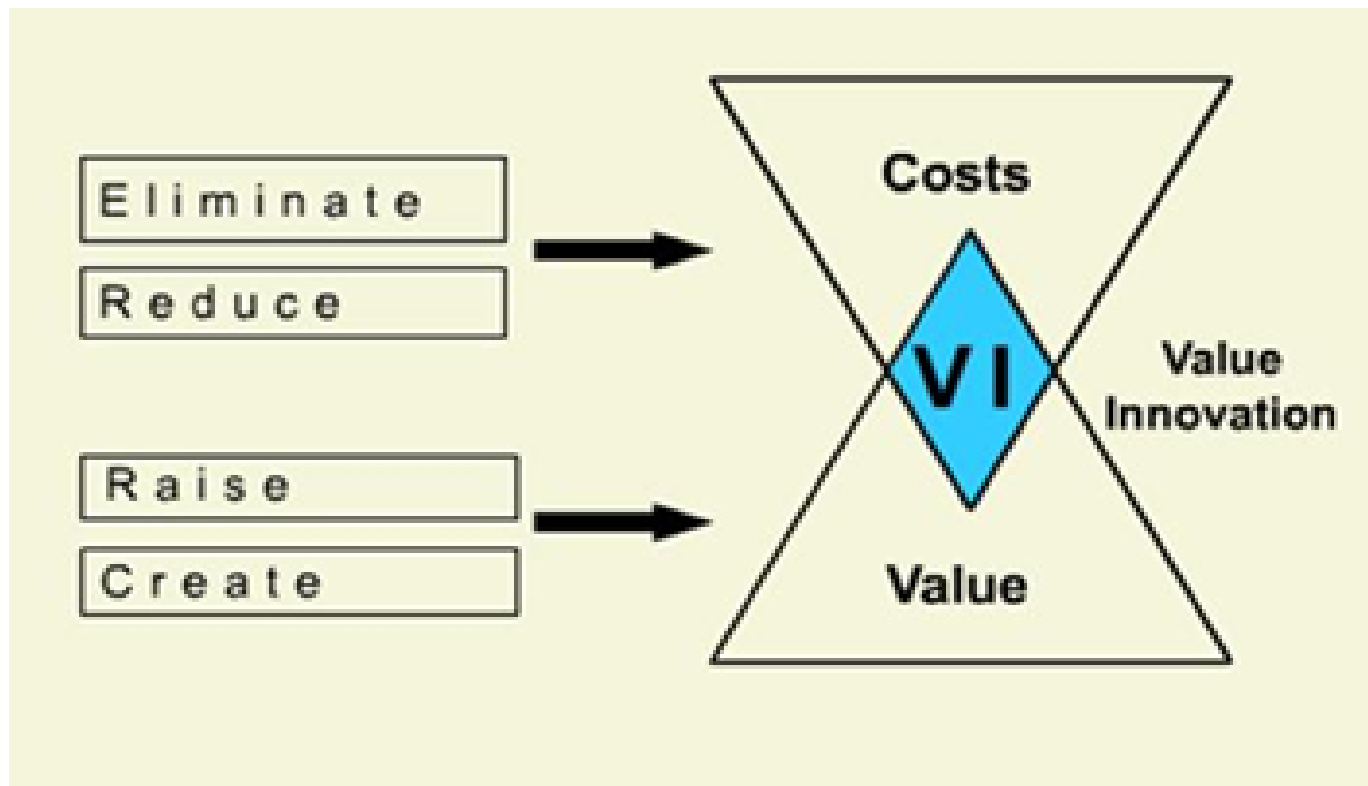
4-ACTION FRAMEWORK



ERRC GRID

Eliminate	Raise
<i>Which factors can you eliminate that your industry has long competed on?</i> List those here...	<i>Which factors should be raised well above the industry's standard?</i> List those here...
Reduce	Create
<i>Which factors should be reduced well below the industry's standard?</i> List those here...	<i>Which factors should be created that the industry has never offered?</i> List those here...

VALUE INNOVATION



THE SIX PATHS FRAMEWORK

(RECONSTRUCTING MARKET BOUNDARIES)

1. Look across alternative industries
2. Look across strategic groups within industries
3. Look across the chain of buyers
4. Look across complementary product and service offerings
5. Look across functional or emotional appeal to buyers
6. Look across time

13. IMPLEMENTING BOS AT OUM

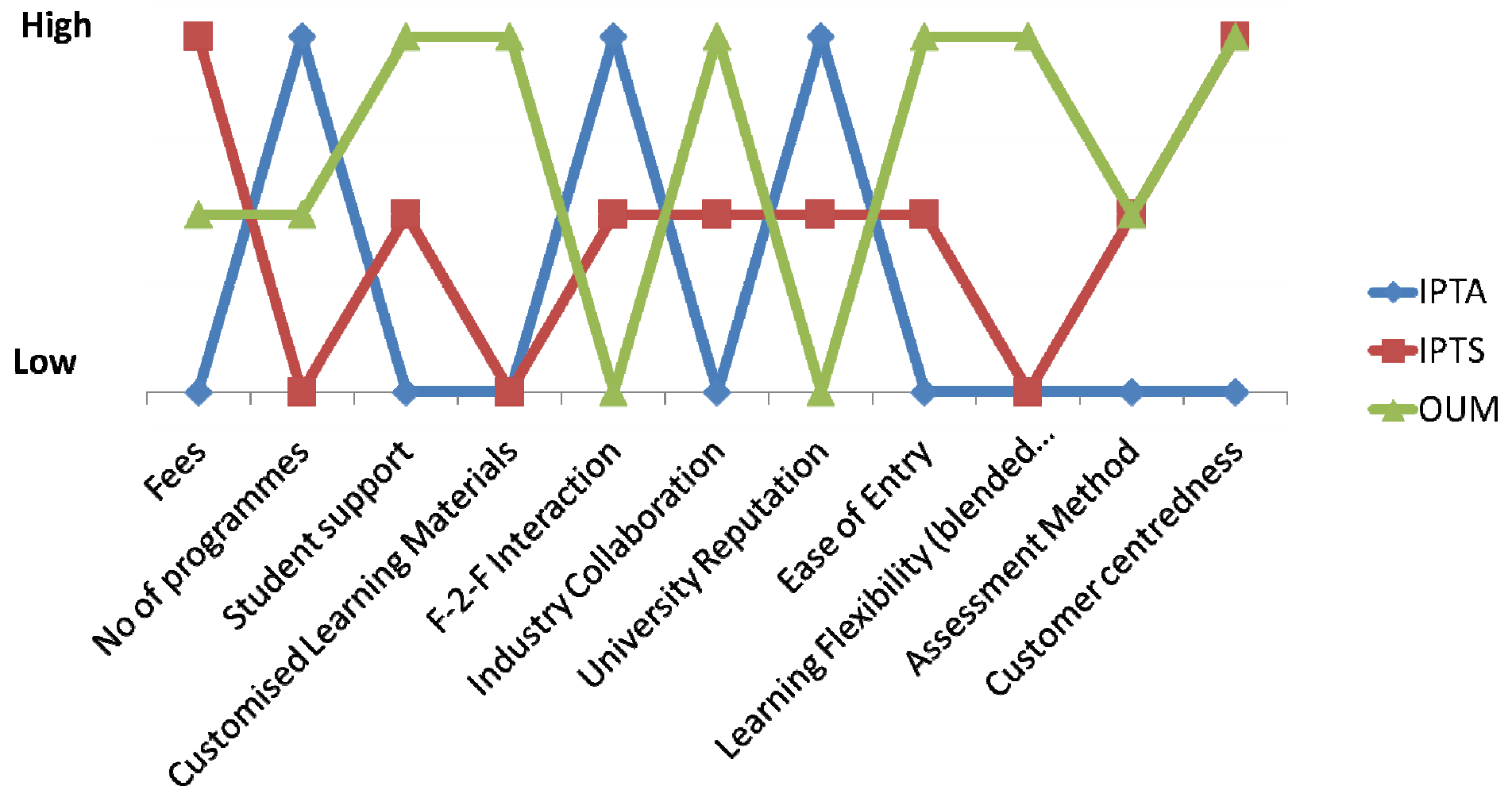
1. Research on "As Is" Strategy Canvas:
 - OUM vs Traditional IPTs
 - OUM vs Other ODLs
2. Apply the 6-Path Framework
3. Apply the 4-Action Framework and ERRC Grid
4. Develop "To Be" Strategy Canvas
5. Focus on the "KCFs" as indicated by "To Be" Strategy Canvas for implementation

KEY COMPETITIVE FACTORS (KCFs)

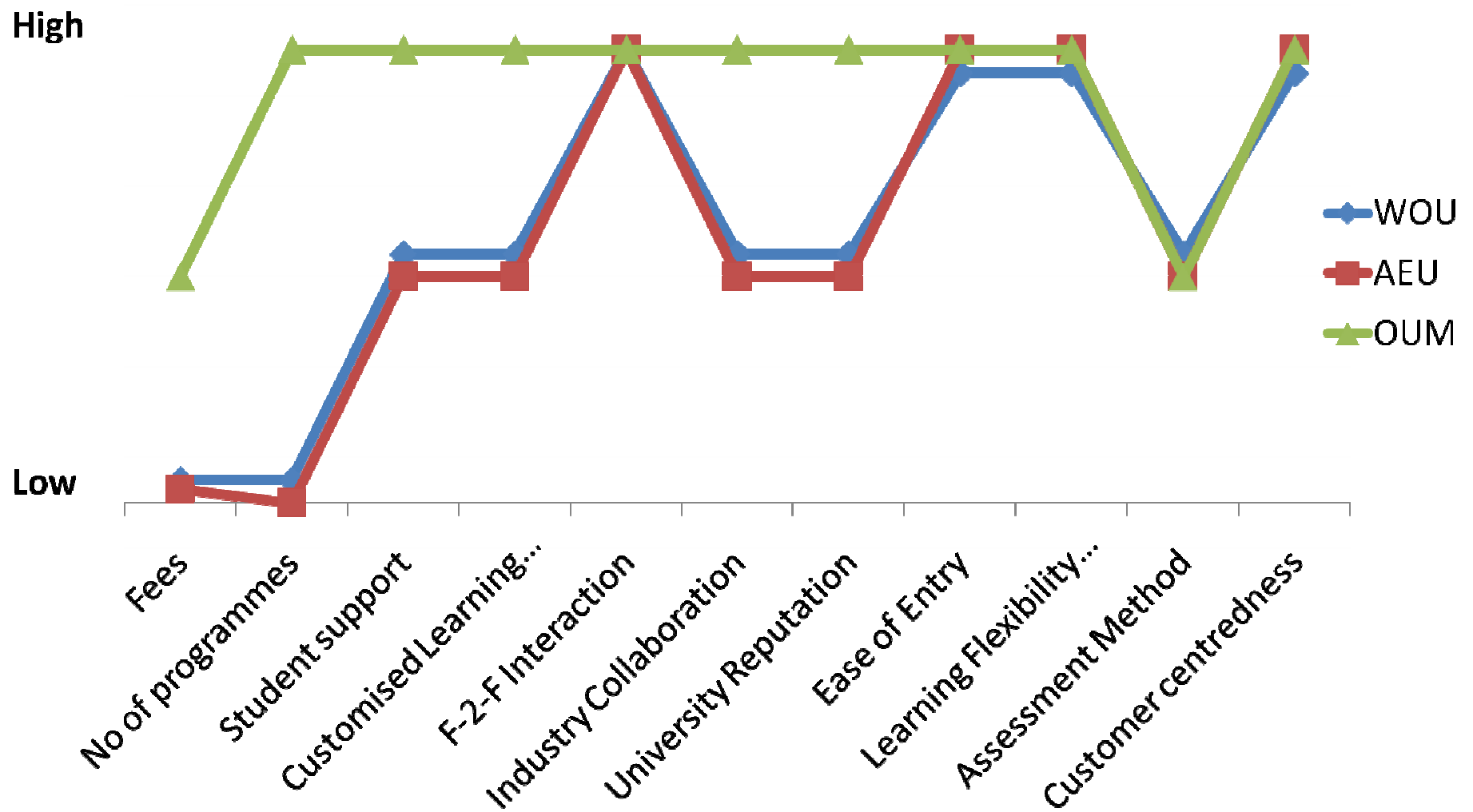
1. Price
2. Number of programmes
3. Students support
4. Face-to-face interaction
5. Learning materials
6. Industry collaboration

7. University reputation
8. Ease of entry
9. Learning flexibility
10. Assessment method
11. No of centers
12. Learner centredness

STRATEGY CANVAS: OUM VS TRADITIONAL IPT



STRATEGY CANVAS: OUM VS ODL IPT



THE 6-PATH FRAMEWORK

PATH 1: LOOK ACROSS ALTERNATIVE INDUSTRIES

- What other industries produce services alternative (*different functions and forms but the same purpose*) to ours?
- Why do customers trade across them?
- By focusing on the key factors that lead buyers to trade across alternative industries and eliminating or reducing everything else, we can create a blue ocean of new market space.

PATH 2: LOOK ACROSS STRATEGIC GROUPS WITHIN INDUSTRIES

- What are the strategic groups (*companies that pursue a similar strategy*) in our industry?
- Why do customers trade up for the higher group, and why do they trade down for the lower one?

PATH 3: LOOK ACROSS THE CHAIN OF BUYERS

- What is the chain of buyers (*purchasers of services may differ from actual users*) in our industry?
- Which buyer group does our industry typically focus on?
- If we shifted the buyer group of our industry, how could we unlock new value?

PATH 4: LOOK ACROSS COMPLEMENTARY PRODUCT AND SERVICE OFFERINGS

- What is the context in which our product or service is used?
- What happens before, during and after purchase?
- Can we identify the pain points?
- How can we eliminate these pain points through a complementary product or service offering?

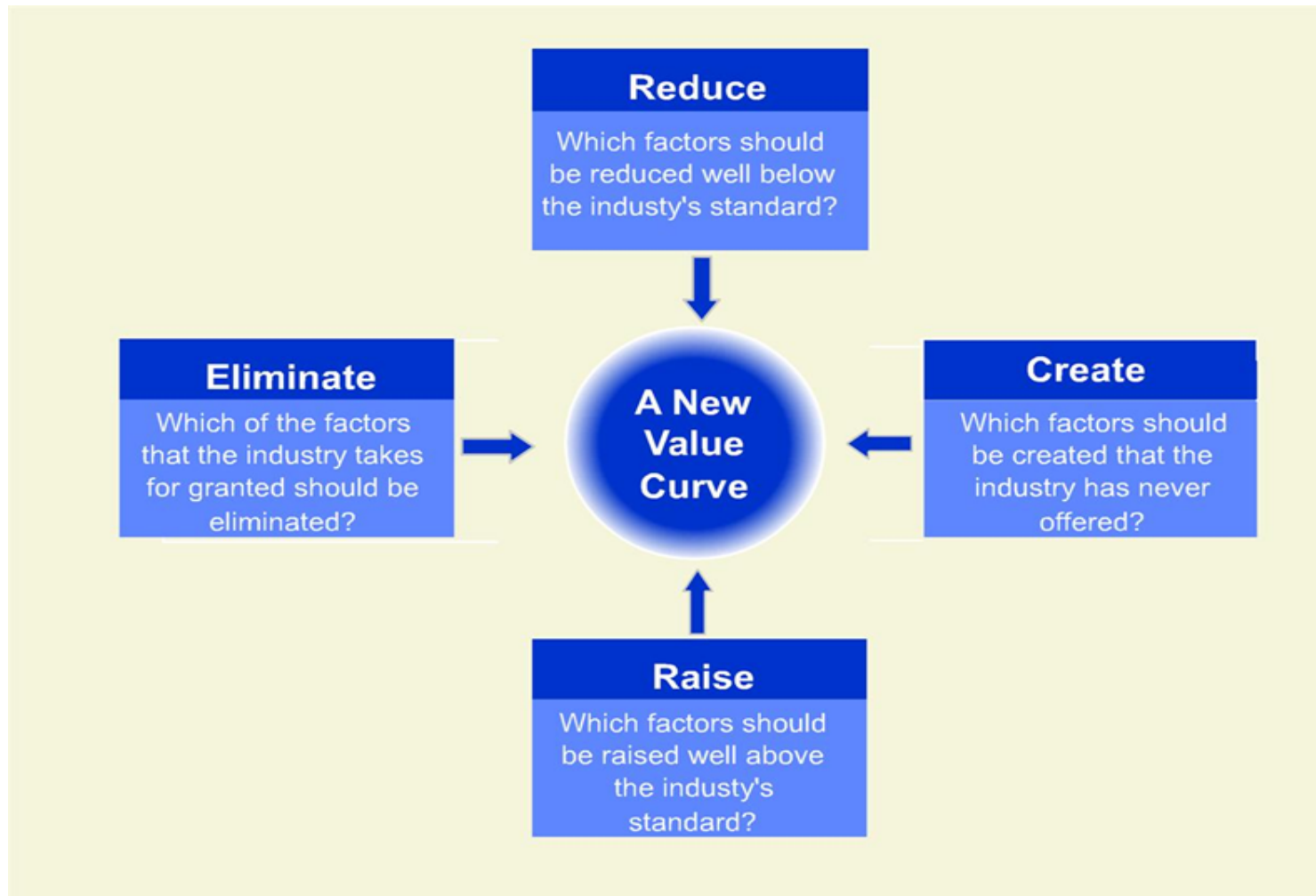
PATH 5: LOOK ACROSS FUNCTIONAL OR EMOTIONAL APPEAL TO BUYERS

- Does our industry compete on functionality or emotional appeal?
- If we compete on emotional appeal, what elements can we strip out to make it functional?
- If we compete on functionality, what elements can be added to make it emotional?

PATH 6: LOOK ACROSS TIME

- What trends have a high probability of impacting our industry, are irreversible, and are evolving in a clear trajectory?
- How will these trends impact our industry?
Given this, how can we open up unprecedented customer utility?

4-ACTION FRAMEWORK



ERRC GRID

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13. CONCLUSION

- Blue Ocean Strategy is not a panacea for all OUM problems
- BOS provides a framework for value-innovation
- Definitely worth devoting effort on this approach

THANK YOU